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SECURITY INFORMATION

OGC Has Reviewed

Mr. Houston

30 July 1953

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Staff Study Submitted by [REDACTED]

1. In essence, the attached staff study poses the question of whether the Agency has any insurable interest in the tangible realty or personalty used by an agent in connection with CS projects. In my opinion it is possible to convert the proposition to the following:

Does the Agency have an interest in determining that an agent has appropriate insurance over the realty or personalty that may be used in connection with a CS project?

2. It would seem to me that where tangible property of large value is to be used in connection with a CS project, a case officer has the fundamental responsibility to evaluate such factors as may intrude upon or embarrass the functioning of a project. I believe that ascertaining that appropriate insurance covers the property concerned would fall within that responsibility. However, I do not believe that any general rules can be postulated whereby the lack of insurance necessarily transposes to an Agency obligation. Although it is true that there may be instances where an agent fails to insure due to ignorance, oversight, or carelessness, it is equally true that a prudent agent is presumed to possess and to use the prudence, skill and diligence necessary to the proper conduct of the mission entrusted to him.

3. It would seem that the categories covered by Paragraph III, A.-1. and 2. of the staff study are classes of property which ordinarily would be insured by an owner. The type of property referred to in Paragraph III, A.-3 of the aforementioned paragraph is ordinarily recognized as a special problem in project development and implementation.

4. I personally have heard of no instance whereby CS projects have been embarrassed or impeded by problems of destruction or loss of tangible assets. I have checked this matter with [REDACTED] who are also unfamiliar with any instances. It is my recommendation, however, that peculiar situations may exist where it would be entirely appropriate for the Government to reimburse the agent specifically for insurance premiums or to affect an amortization arrangement. The lack of experience or examples at this time would appear to me to militate against the issuance of an instruction, the effect of which would be to increase the cost of operation to current projects.

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